

**MALVERN  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2009

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**MALVERN COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2008 Election)**

Susan Stogdill	President	2009
Dale Stephens	Vice President	2011
Brenda Koger		2009
Becky Bell		2008
Gary Hustak		2008

**(After September 2008 Election)**

Susan Stogdill	President	2009
Dale Stephens	Vice President	2011
Brenda Koger		2009
Becky Bell		2011
Gary Hustak	(Resigned May, 2009)	
Jeff Poort	(Appointed June, 2009)	2009

**School Officials**

Curtis Barclay	Superintendent
Susan Davis	District Secretary
Darla Hetzel	District Treasurer

# BRUCE D. FRINK

Certified Public Accountant

## Independent Auditor's Report

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Malvern Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Malvern Community School District, Malvern, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

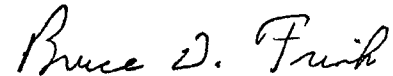
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Malvern Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2010 on our consideration of Malvern Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Malvern Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

**BRUCE D. FRINK**  
**Certified Public Accountant**

January 27, 2010

## **MALVERN COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

Malvern Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements which follow.

#### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,734,428 in fiscal 2008 to \$3,757,149 in fiscal 2009, while General Fund expenditures increased from \$3,756,822 in fiscal 2008 to \$4,081,402 in fiscal 2009. The District's General Fund balance decreased from \$356,471 in fiscal 2008 to \$22,218 in fiscal 2009.
- Increases in tuition and state aid revenues as a result of sharing with Nishna Valley Community School District accounted for the increase in revenues, however, they were offset for the most part by a decrease in funding from the State of Iowa.
- Enrollment increased by 53.1 resident students in the district.
- The District's solvency ratio was 0.4% at the end of fiscal 2009. The solvency ratio is indicative of the District's ability to meet its financial obligations. This is a decrease of 9.1% from the prior year. The District's General Fund Balance dropped significantly. Recommended solvency ratio is commonly around 10%.
- SILO or Local Option Sales Tax was voted into Mills County in October 2003. This tax was replaced in 2009 by a statewide sales and service tax. These dollars can only be used for infrastructure and equipment projects. The funds are being used for an addition to the high school building and debt retirement.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Malvern Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Malvern Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Malvern Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activity and Fiduciary funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Malvern Community School District Annual Financial Report**

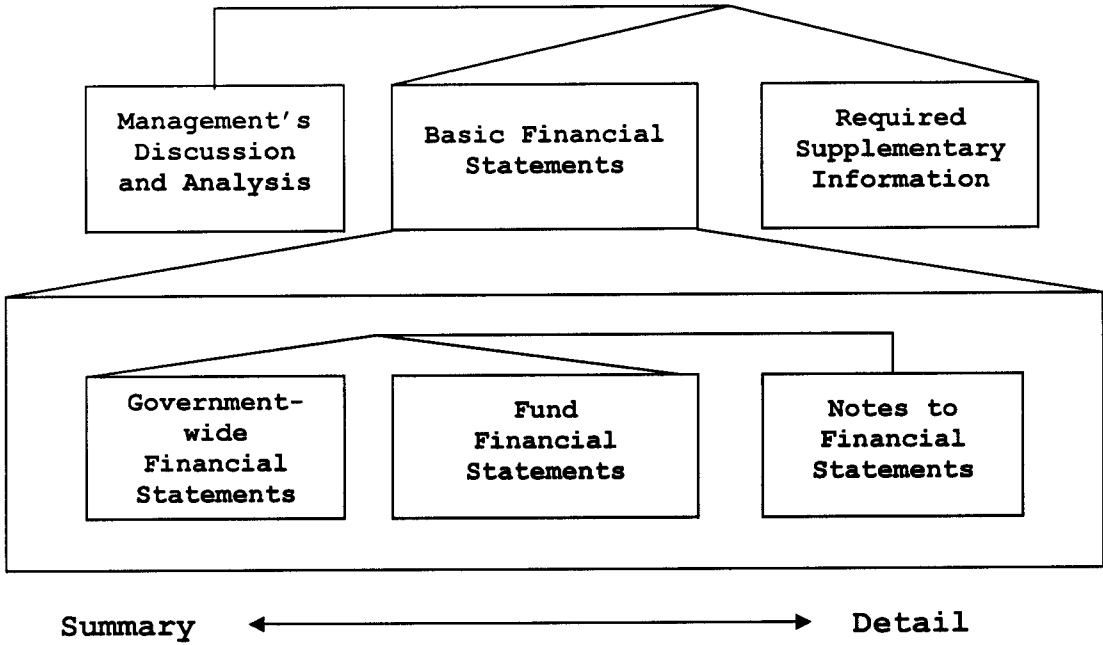


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- *Private-Purpose Trust Fund* - The District accounts for outside donations for scholarships for individual students in this fund.
- *Agency Funds* - The District holds money for outside groups in a custodial capacity.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 4,405	2,917	11	7	4,416	2,924	51.03%
Capital assets	1,987	1,171	-	2	1,987	1,173	69.39%
<b>Total assets</b>	<b>6,392</b>	<b>4,088</b>	<b>11</b>	<b>9</b>	<b>6,403</b>	<b>4,097</b>	<b>56.29%</b>
Current liabilities	2,652	1,950	-	-	2,652	1,950	36.00%
Non-current liabilities	1,950	-	-	-	1,950	-	100.00%
<b>Total liabilities</b>	<b>4,602</b>	<b>1,950</b>	<b>-</b>	<b>-</b>	<b>4,602</b>	<b>1,950</b>	<b>136.00%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	37	1,171	-	2	37	1,173	-96.85%
Restricted	1,632	418	-	-	1,632	418	290.43%
Unrestricted	121	549	11	7	132	556	-76.26%
<b>Total net assets</b>	<b>\$ 1,790</b>	<b>2,138</b>	<b>11</b>	<b>9</b>	<b>1,801</b>	<b>2,147</b>	<b>-16.12%</b>

Net assets decreased by 16% primarily in the unrestricted area. This was due to a significant decrease in the General Fund. The decrease in capital assets and increase in restricted net assets offset each other and will reverse in fiscal 2010. This is due to the timing on issuance of bonds for an addition to the high school.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 629	550	73	59	702	609	15.27%
Operating grants, contributions and restricted interest	755	708	75	74	830	782	6.14%
General revenues:							
Property tax	1,401	1,255	-	-	1,401	1,255	11.63%
Income surtax	207	232	-	-	207	232	-10.78%
Local option sales tax	175	197	-	-	175	197	-11.17%
Unrestricted state grants	1,099	1,324	-	-	1,099	1,324	-16.99%
Unrestricted investment earnings	11	17	-	-	11	17	-35.29%
Other	13	6	-	-	13	6	116.67%
Total revenues	4,290	4,289	148	133	4,438	4,422	0.36%
Program expenses:							
Governmental activities:							
Instruction	3,022	2,713	-	-	3,022	2,713	11.39%
Support Services	1,029	1,098	-	-	1,029	1,098	-6.28%
Non-instructional programs	10	17	145	133	155	150	3.33%
Other expenses	576	403	-	-	576	403	42.93%
Total expenses	4,637	4,231	145	133	4,782	4,364	9.58%
Change in net assets	\$ (347)	58	3	-	(344)	58	-693.10%

Property tax and unrestricted state grants account for 56% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 85% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$4,289,828 and expenses were \$4,632,064 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year June 30, 2008.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 3,022	2,713	11.39%	1,781	1,605	10.97%
Support services	1,029	1,098	-6.28%	1,006	1,066	-5.63%
Non-instructional programs	10	17	100.00%	10	17	100.00%
Other expenses	576	403	42.93%	456	282	61.70%
Totals	<u>\$ 4,637</u>	<u>4,231</u>	<u>9.60%</u>	<u>3,253</u>	<u>2,970</u>	<u>9.53%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$628,732.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$456,047.
- The net cost of governmental activities was financed with \$1,401,567 in property tax, \$1,098,995 in state foundation aid, and \$10,577 in interest income.

#### **Proprietary-Type Funds**

Revenues for the District's School Nutrition Fund during the year ended June 30, 2009 were \$147,958 and expenses totaled \$145,440. The revenues include charges for services, contributions, and federal and state reimbursements. The General Fund transferred \$10,000 to the School Nutrition Fund to help it maintain a positive balance.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The Malvern Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$1,571,185, which is 99% greater than last year's ending fund balance of \$790,438. This is due to bond proceeds received in 2009 not being spent until fiscal 2010.

#### **Governmental Fund Highlights**

Several factors contributed to the decrease in the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- The District experienced a 1.5% state aid cut in November, 2008.
- The District issued \$1,950,000 of revenue bonds for an addition to the high school building.
- The statewide sales and services tax was begun in July, 2008. This aids the school in infrastructure projects.

#### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased by over \$2,500 in fiscal year 2009. However, the General Fund had to transfer \$10,000 to accomplish this.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

Actual revenues were greater than budgeted amounts primarily due to sharing program revenues. State aid revenues fell far short of anticipated amounts.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The District has invested more than \$1.9 million, net of accumulated depreciation, by the end of fiscal 2009 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District made improvements and updated equipment at all facilities during the year. Total depreciation expenses for the year exceeded \$152,000.

### **Long-Term Debt**

In 2009, the District borrowed \$1,950,000 of revenue bonds for the purpose of constructing an addition to the high school. It will be paid off over the next 20 years using proceeds of the statewide sales and services tax.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District will need to monitor payroll expenses as they account for the vast majority of the General Fund budget.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments. The State of Iowa enacted a 10% across the board cut in the fall of 2009.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.
- Enrollment increases and decreases will play a large part in determining the District's finances on an year to year basis. The legislature needs to ensure adequate allowable growth to properly fund education.
- The District has entered into a whole grade sharing agreement with the Nishna Valley Community School District. This is providing our students with more academic course offerings as well as cost savings opportunities. The agreement appears to be on its way to being a successful arrangement.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darla Hetzel, District Business Manager, Malvern Community School District, 422 Main St, Malvern, IA 51551.

## Basic Financial Statements

## MALVERN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities School Nutrition	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,209,485	4,653	2,214,138
Receivables:			
Property tax:			
Current year	36,311	-	36,311
Succeeding year	1,546,503	-	1,546,503
Income surtax - succeeding year	196,988	-	196,988
Due from other governments	414,302	-	414,302
Accrued interest receivable	639	-	639
Other receivables	1,002	134	1,136
Inventories	-	5,916	5,916
Capital assets, net of accumulated depreciation	1,987,126	462	1,987,588
<b>Total assets</b>	<b>6,392,356</b>	<b>11,165</b>	<b>6,403,521</b>
<b>Liabilities</b>			
Accounts payable	815,023	-	815,023
Accrued payroll and benefits	240,518	-	240,518
Retainage payable	30,746	-	30,746
Accrued interest payable	14,987	-	14,987
Deferred revenue:			
Succeeding year property tax	1,546,503	-	1,546,503
Federal programs	4,267	-	4,267
Long-term liabilities:			
Portion due within one year - revenue bonds	25,000	-	25,000
Portion due after one year - revenue bonds	1,925,000	-	1,925,000
<b>Total liabilities</b>	<b>4,602,044</b>	<b>-</b>	<b>4,602,044</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	37,126	462	37,588
Restricted for:			
Management levy	90,867	-	90,867
Physical plant and equipment levy	159,486	-	159,486
Capital projects	1,374,083	-	1,374,083
Categorical funding	7,756	-	7,756
Unrestricted	120,994	10,703	131,697
<b>Total net assets</b>	<b>\$ 1,790,312</b>	<b>11,165</b>	<b>1,801,477</b>

See notes to financial statements.



## MALVERN COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:	\$ 3,021,944	620,425	620,584	(1,780,935)	-	(1,780,935)
Support services:						
Student services	47,401	-	-	(47,401)	-	(47,401)
Instructional staff services	176,145	-	-	(176,145)	-	(176,145)
Administration services	465,008	-	-	(465,008)	-	(465,008)
Operation and maintenance of plant services	146,665	-	14,891	(131,774)	-	(131,774)
Transportation services	193,857	8,307	-	(185,550)	-	(185,550)
	1,029,076	8,307	14,891	(1,005,878)	-	(1,005,878)
Noninstructional programs						
Food service operations	10,000	-	-	(10,000)	-	(10,000)
Other expenditures:						
AEA flowthrough	118,588	-	118,588	-	-	-
Long term debt interest and service fees	55,737	-	-	(55,737)	-	(55,737)
Facilities acquisition and construction	250,694	-	901	(249,793)	-	(249,793)
Depreciation (unallocated)*	151,025	-	-	(151,025)	-	(151,025)
	576,044	-	119,489	(456,555)	-	(456,555)
Total governmental activities	4,637,064	628,732	754,964	(3,253,368)	-	(3,253,368)

**MALVERN COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:					
Non-instructional programs:					
Nutrition services	145,440	72,949	75,009	-	2,518
Total	<u>\$ 4,782,504</u>	<u>701,681</u>	<u>829,973</u>	<u>2,518</u>	<u>(3,250,850)</u>
General Revenues:					
Property tax levied for:					
General purposes			\$ 1,291,212	-	1,291,212
Management levy			29,983	-	29,983
Capital outlay			80,372	-	80,372
Income surtax:					
General purposes			109,042	-	109,042
Capital outlay			97,857	-	97,857
Statewide sales and services tax			175,155	-	175,155
Unrestricted state grants			1,098,995	-	1,098,995
Unrestricted investment earnings			10,577	-	10,577
Other			12,939	-	12,939
Total general revenues			<u>2,906,132</u>	<u>-</u>	<u>2,906,132</u>
Change in net assets			(347,236)	2,518	(344,718)
Net assets beginning of year			<u>2,137,548</u>	<u>8,647</u>	<u>2,146,195</u>
Net assets end of year			<u>\$ 1,790,312</u>	<u>11,165</u>	<u>1,801,477</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

**MALVERN COMMUNITY SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds

June 30, 2009

**Assets**

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Cash and pooled investments	\$ 343,568	16,164	90,090	65,476	1,694,187	2,209,485
Receivables:						
Property tax:						
Current year	33,452	-	777	2,082	-	36,311
Succeeding year	1,418,939	-	40,000	87,564	-	1,546,503
Income surtax - succeeding year	105,060	-	-	91,928	-	196,988
Due from other governments	334,739	528	-	-	79,035	414,302
Interest receivable	639	-	-	-	-	639
Other receivables	250	752	-	-	-	1,002
<b>Total assets</b>	<b>\$ 2,236,647</b>	<b>17,444</b>	<b>130,867</b>	<b>247,050</b>	<b>1,773,222</b>	<b>4,405,230</b>

**Liabilities and Fund Balance**

Liabilities:						
Accounts payable	\$ 445,645	985	-	-	368,393	815,023
Accrued payroll and benefits	240,518	-	-	-	-	240,518
Retainage payable	-	-	-	-	30,746	30,746
Deferred revenue:						
Succeeding year property tax	1,418,939	-	40,000	87,564	-	1,546,503
Succeeding year income surtax	105,060	-	-	91,928	-	196,988
Federal programs	4,267	-	-	-	-	4,267
Total liabilities	<u>2,214,429</u>	<u>985</u>	<u>40,000</u>	<u>179,492</u>	<u>399,139</u>	<u>2,834,045</u>
Fund balances:						
Reserved for capital projects	-	-	-	-	1,374,083	1,374,083
Reserved for categorical funding	7,756	-	-	-	-	7,756
Unreserved	14,462	16,459	90,867	67,558	-	189,346
Total fund balances	<u>22,218</u>	<u>16,459</u>	<u>90,867</u>	<u>67,558</u>	<u>1,374,083</u>	<u>1,571,185</u>
<b>Total liabilities and fund balances</b>	<b>\$ 2,236,647</b>	<b>17,444</b>	<b>130,867</b>	<b>247,050</b>	<b>1,773,222</b>	<b>4,405,230</b>

See notes to financial statements.

## MALVERN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 1,571,185
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	196,988
Capital assets used in governmental activities are not assets in the governmental funds.	1,987,126
Long-term liabilities, including revenue bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(1,950,000)
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	<u>(14,987)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 1,790,312</u></u>

See notes to financial statements.

## MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Revenues:						
Local sources:						
Local tax	\$ 1,390,006	-	29,983	167,981	175,155	1,763,125
Tuition	620,425	-	-	-	-	620,425
Other	73,088	123,272	13,478	1,413	901	212,152
State sources	1,532,294	-	-	-	-	1,532,294
Federal sources	141,336	-	-	-	-	141,336
Total revenues	3,757,149	123,272	43,461	169,394	176,056	4,269,332
Expenditures:						
Current:						
Instruction:	2,873,774	122,612	25,558	-	-	3,021,944
Support services:						
Student services	47,401	-	-	-	-	47,401
Instructional staff services	82,091	-	-	24,753	69,301	176,145
Administration services	460,205	-	4,803	-	-	465,008
Operation and maintenance of plant services	312,986	-	21,603	-	-	334,589
Transportation services	186,357	-	7,500	77,197	-	271,054
	1,089,040	-	33,906	101,950	69,301	1,294,197

MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Other expenditures:						
AEA flowthrough	118,588	-	-	-	-	118,588
Facilities acquisition and construction	-	-	-	101,033	852,073	953,106
	118,588	-	-	101,033	852,073	1,071,694
Total expenditures	4,081,402	122,612	59,464	202,983	921,374	5,387,835
Excess (deficiency) of revenues over (under) expenditures	(324,253)	660	(16,003)	(33,589)	(745,318)	(1,118,503)
Other financing sources (uses):						
Revenue bond sale proceeds	-	-	-	-	1,950,000	1,950,000
Bond issuance costs	-	-	-	-	(40,750)	(40,750)
Transfer to Student Nutrition Fund	(10,000)	-	-	-	-	(10,000)
	(10,000)	-	-	-	1,909,250	1,899,250
Net change in fund balance	(334,253)	660	(16,003)	(33,589)	1,163,932	780,747
Fund balances beginning of year	356,471	15,799	106,870	101,147	210,151	790,438
Fund balances end of year	\$ 22,218	16,459	90,867	67,558	1,374,083	1,571,185

See notes to financial statements.

## MALVERN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities

Year ended June 30, 2009

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 780,747

**Amounts reported for governmental activities in the Statement of Activities  
 are different because:**

Income surtaxes not collected for several months after the District's  
 fiscal year ends are not considered "available" revenues in the  
 governmental funds and are included as deferred revenues. They are,  
 however, recorded as revenues in the statement of activities  
 This represents the change in income surtax receivable from FY08 to FY09. 20,496

Capital outlays to purchase or build capital assets are reported in  
 governmental funds as expenditures. However, those costs are not  
 reported in the Statement of Net Activities and are allocated over their  
 estimated useful lives as depreciation expense in the Statement of  
 Activities. The amounts of depreciation expense in the year are as follows:

Capital outlays	967,533
Depreciation expense	(151,025)

Proceeds from issuing long-term liabilities provide current financial resources to  
 governmental funds. (1,950,000)

Interest on long-term debt in the Statement of Activities differs from the amount  
 reported in the governmental funds because interest is recorded as an expenditure  
 in the governmental funds when due. In the Statement of Activities, interest  
 expense is recognized as the interest accrues, regardless of when it is due. (14,987)

**Change in net assets of governmental activities (Exhibit B)** \$ (347,236)

## MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 72,949
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	59,886
Benefits	8,499
Services	2,171
Supplies	73,430
Depreciation	1,454
Total operating expenses	<u>145,440</u>
Operating (loss)	<u>(72,491)</u>
Non-operating revenues:	
State sources	1,363
Federal sources	63,561
Transfer from General Fund	10,000
Interest income	85
	<u>75,009</u>
Changes in net assets	2,518
Net assets beginning of year	<u>8,647</u>
Net assets end of year	<u>\$ 11,165</u>

See notes to financial statements.



## MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 73,143
Cash payments to employees for services	(68,789)
Cash payments to suppliers for goods or services	(62,125)
Net cash (used by) operating activities	<u>(57,771)</u>
Cash flows from non-capital financing activities:	
State grants received	1,363
Federal grants received	49,142
Net cash provided by non-capital financing activities	<u>50,505</u>
Cash flows from capital financing activities:	
Transfer from General Fund	<u>10,000</u>
Cash flows from investing activities:	
Interest on investments	<u>85</u>
Net increase in cash and cash equivalents	2,819
Cash and cash equivalents beginning of year	<u>1,834</u>
Cash and cash equivalents end of year	<u>\$ 4,653</u>
<b>Reconciliation of operating (loss) to net cash used by operating activities:</b>	
Adjustments to reconcile operating (loss) to net cash provided by (used by) operating activities:	\$ (72,491)
Depreciation	1,454
Commodities used	14,419
Decrease in other receivables	194
(Increase) in inventory	(943)
(Decrease) in accrued payroll and benefits	(404)
	<u>\$ (57,771)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$14,419.

See notes to financial statements.

## MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trusts	Agency Funds
	Chantry Bequest	
<b>Assets</b>		
Cash and pooled investments	\$ 1,000	405
<b>Liabilities</b>		
Other payables	-	405
<b>Net Assets</b>		
Reserved for special purposes	\$ 1,000	-

See notes to financial statements.

## MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trusts	Chantry Bequest
Additions:		
Local sources:		
Miscellaneous	\$ 45	
Total additions	45	
Deductions:		
Support services:		
Scholarships	1,642	
Total deductions	1,642	
Change in net assets	(1,597)	
Net assets beginning of year	2,597	
Net assets end of year	\$ 1,000	

See notes to financial statements.

# MALVERN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### (1) Summary of Significant Accounting Policies

Malvern Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Malvern, Iowa, and agricultural area in Mills County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Malvern Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Malvern Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mills County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, the proprietary fund and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Investments and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent federal program funds.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures exceeded the amended amounts budgeted in the instruction and other expenditures functions. The District did not exceed its General Fund unspent authorized budget.

#### (2) **Cash and Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.



### (3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	30,000	-	-	30,000
Construction in progress	-	702,412	-	702,412
	<u>30,000</u>	<u>702,412</u>	<u>-</u>	<u>732,412</u>
Capital assets being depreciated:				
Land improvements	274,684	-	-	274,684
Buildings	1,609,094	-	-	1,609,094
Furniture and equipment	1,274,763	265,121	-	1,539,884
Total capital assets being depreciated	<u>3,158,541</u>	<u>265,121</u>	<u>-</u>	<u>3,423,662</u>
Less accumulated depreciation for:				
Land improvements	114,961	9,556	-	124,517
Buildings	982,937	32,182	-	1,015,119
Furniture and equipment	920,025	109,287	-	1,029,312
Total accumulated depreciation	<u>2,017,923</u>	<u>151,025</u>	<u>-</u>	<u>2,168,948</u>
Total capital assets being depreciated, net	<u>1,140,618</u>	<u>114,096</u>	<u>-</u>	<u>1,254,714</u>
Governmental activities, capital assets, net	<u>\$ 1,170,618</u>	<u>816,508</u>	<u>-</u>	<u>1,987,126</u>
<b>Business type activities:</b>				
Furniture and equipment	17,528	-	-	17,528
Less accumulated depreciation	15,612	1,454	-	17,066
Business type activities capital assets, net	<u>\$ 1,916</u>	<u>(1,454)</u>	<u>-</u>	<u>462</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>\$ 151,025</u>
Business Type activities:				
Food service operations				<u>\$ 1,454</u>

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$115,545, \$102,760, and \$104,560 respectively, equal to the required contributions for each year.

**(5) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$118,588 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(6) Risk Management**

Malvern Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Interfund Transfers**

The detail of Interfund transfers for the year June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
School Nutrition	General Fund	\$10,000

**(8) Whole Grade Sharing**

The District agreed to a whole grade sharing agreement with the Nishna Valley Community School District beginning with the 2007-2008 school year. Students in grades 5-8 attend Nishna Valley Community School District and grades 9-12 attend Malvern Community School District. The schools are known as East Mills Middle School and East Mills High School.

**(9) Long-Term Debt**

Revenue Bonds

Details of the District's June 30, 2009 statewide sales and services tax revenue bonded indebtedness are as follows:

<u>Bond Issue of December 1, 2008</u>				
<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	2.70%	\$ 25,000	104,910	129,910
2011	2.70	50,000	89,248	139,248
2012	2.70	65,000	87,898	152,898
2013	3.25	65,000	86,143	151,143
2014	3.25	80,000	84,030	164,030
2015-2019		435,000	374,668	809,668
2020-2024		535,000	268,613	803,613
2025-2029		<u>695,000</u>	<u>116,063</u>	<u>811,063</u>
Total		<u>\$1,950,000</u>	<u>1,211,573</u>	<u>3,161,573</u>

The District has pledged future statewide sales and services tax revenues to repay the \$1,950,000 of bonds issued in May 2009. The bonds were issued for the purpose of financing a portion of the costs of an addition and remodeling of the existing high school. The bonds are payable solely from the proceeds of the local option sales and service tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 60 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$3,161,573. For the current year no principal and interest were paid on the bonds and total statewide sales and services tax revenues were \$175,155.

The resolution providing for the issuance of the local option and services tax revenue bonds includes the following provisions:

- a) \$164,077 of the proceeds from the issuance of the revenue bonds are deposited in a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year. The balance of this account at June 30, 2009 was \$165,688.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The required reserve account was established by the District.

**(10) Commitments**

The District issued revenue bonds totaling \$1,950,000 for the remodeling and new construction of facilities. The following amounts are as of June 30, 2009.

Contract amount	\$1,576,383
Completed to date	614,917
Retainage	30,746
Current payable	366,897
Paid to date	217,275
To be completed	961,465

## **Required Supplementary Information**

**MALVERN COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 2,595,702	73,034	2,668,736	2,246,299	2,246,299	422,437
State sources	1,532,294	1,363	1,533,657	1,637,031	1,637,031	(103,374)
Federal sources	141,336	63,561	204,897	193,000	193,000	11,897
Total revenues	<u>4,269,332</u>	<u>137,958</u>	<u>4,407,290</u>	<u>4,076,330</u>	<u>4,076,330</u>	<u>330,960</u>
<b>Expenditures/Expenses:</b>						
Instruction	3,021,944	-	3,021,944	2,640,000	2,640,000	(381,944)
Support services	1,294,197	-	1,294,197	1,530,000	1,530,000	235,803
Non-instructional programs	-	145,440	145,440	153,759	153,759	8,319
Other expenditures	1,071,694	-	1,071,694	550,583	790,583	(281,111)
Total expenditures/expenses	<u>5,387,835</u>	<u>145,440</u>	<u>5,533,275</u>	<u>4,874,342</u>	<u>5,114,342</u>	<u>(418,933)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,118,503)	(7,482)	(1,125,985)	(798,012)	(1,038,012)	(87,973)
Other financing sources (uses)	<u>1,899,250</u>	<u>10,000</u>	<u>1,909,250</u>	<u>-</u>	<u>-</u>	<u>1,909,250</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	780,747	2,518	783,265	(798,012)	(1,038,012)	1,821,277
Balance beginning of year	<u>790,438</u>	<u>8,647</u>	<u>799,085</u>	<u>935,635</u>	<u>935,635</u>	<u>(136,550)</u>
Balance end of year	<u>\$ 1,571,185</u>	<u>11,165</u>	<u>1,582,350</u>	<u>137,623</u>	<u>(102,377)</u>	<u>1,684,727</u>

See accompanying independent auditor's report.

**MALVERN COMMUNITY SCHOOL DISTRICT**

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District amended its budget one time during the year, increasing budgeted expenditures by \$240,000.

During the year ended June 30, 2009, exceeded the amended amount budgeted in the instruction and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

## MALVERN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	417	230	-	647
Vocal Music	-	2,000	1,593	407
Instrumental Music	20	9,261	9,550	(269)
Athletics	(4,949)	41,143	34,435	1,759
National Honor Society	482	1,103	1,656	(71)
Speech Club	235	-	156	79
Dance Team	58	-	-	58
Annual	3,562	2,532	3,012	3,082
Art Club	304	31	98	237
Concessions	2,362	15,661	17,957	66
Panther Den	664	13	171	506
Cheerleading	1,430	1,527	2,376	581
FCCLA	616	22,771	23,244	143
HOSA	47	10,003	10,443	(393)
Library Club	217	-	131	86
Weight Club	204	-	-	204
Class of 2007	478	-	478	-
Class of 2008	2,927	100	100	2,927
Class of 2009	2,152	279	1,489	942
Class of 2010	1,690	5,353	7,300	(257)
Class of 2006	215	-	215	-
Class of 2011	784	1,126	-	1,910
Class of 2012	160	1,165	91	1,234
Music Revolving	115	-	-	115
Shop	40	-	-	40
Student Council	124	444	453	115
Chantry Activity	374	8,483	7,450	1,407
Chantry Library	57	10	-	67
Chantry Reading	1,014	37	214	837
Totals	15,799	123,272	122,612	16,459

See accompanying independent auditor's report.



## MALVERN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2009

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Education Services	\$ 836	164	1,000	-
Picture Commissions	62	-	62	-
HS Employees	1,446	2,008	3,049	405
Cash for Schools	1,186	3,154	4,340	-
Costello Music Award	1,005	-	1,005	-
	<u>\$ 4,535</u>	<u>5,326</u>	<u>9,456</u>	<u>405</u>

See accompanying independent auditor's report.



# BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Malvern Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Malvern Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 27, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Malvern Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Malvern Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Malvern Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Malvern Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Malvern Community School District's financial statements that is more than inconsequential will not be prevented or detected by Malvern Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Malvern Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09 are material weaknesses.

#### Compliance and Other Matters

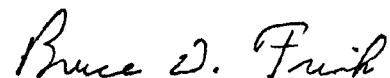
As part of obtaining reasonable assurance about whether Malvern Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matter that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Malvern Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Malvern Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Malvern Community School District and other parties to whom Malvern Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Malvern Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

January 27, 2010

**MALVERN COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2009

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

I-A-09      Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-09      Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

**MALVERN COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2009

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-09      Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the amended budget amounts in the instruction and other expenditures functions. The District did not exceed its unspent authorized budget for the year ended June 30, 2009.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-09      Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-09      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-09      Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-09      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-09      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-H-09      Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.

II-I-09      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-J-09      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**MALVERN COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2009

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

II-K-09      Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ -
Statewide sales and services tax revenue	175,155
Expenditures/transfers out:	
School infrastructure:	
Buildings	175,155
Ending balance	\$ <u>-</u>